



Nokuthula Simelane Building, No. 7 Government Boulevard, Riverside Park Extension 2, Mbombela, 1200  
**Private Bag X 11205, Mbombela, 1200**  
Tel: 013 766 4519

SigcinaMafa SesiFundza

UmNyango weeMali ZesiFunda

Provinsiale Tesourie

Enquiries : Ms J Bezuidenhout  
Ref : MPT 13/1

**Mr. D Mogajane**  
**Director-General**  
**National Treasury**  
**Private Bag X115**  
**PRETORIA**  
**0001**

Dear Sir

## **NON-SUBMISSION OF ANNUAL FINANCIAL STATEMENTS: GOVAN MBEKI LOCAL MUNICIPALITY**

The purpose of this letter is to inform the National Treasury about the situation in the Govan Mbeki Local Municipality regarding the non-submission of their Annual Financial Statements for the 2018/19 financial year.

In terms of Section 126(1) of the Municipal Finance Management Act, No. 56 of 2003 (MFMA), the Accounting Officer of a Municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.

The Municipality has failed to adhere to the above Section of the MFMA and did not submit the annual financial statements by 31 August 2019, which is material non-compliance due to the lack of accountability by the Accounting Officer.

On 10 September 2019, the Provincial Treasury requested the Municipality to submit within seven working days the plan of action to be taken to ensure that the Annual Financial Statements are prepared and submitted to the Auditor-General of South Africa. On 17 September 2019 the Municipality responded to indicate challenges being experienced but did not submit the plan of action as requested.

The matter was also elevated to the MEC for Finance, Economic Development and Tourism and he requested the Executive Mayor on 13 September 2019 to submit the corrective measures to his Office by 16 September 2019 detailing how the non-compliance will be avoided in future and to ensure that the Accounting Officer prepares and submits the AFS.

A meeting between the executive management of the Provincial Treasury and the executive management of the Municipality was held on 1 October 2019 in order to determine areas where Provincial Treasury could assist the Municipality. The Municipality indicated that they did not require any support from the Provincial Treasury and the process of compiling the Annual Financial Statements was underway. The Municipality committed to:

- a) Submit a project plan / process map with clear timeframes for the finalisation and submission of the 2018/19 AFS
- b) Submit a project plan / process map with clear timeframes for the finalisation and submission of the 2019/20 AFS

## NON-SUBMISSION OF ANNUAL FINANCIAL STATEMENTS: GOVAN MBEKI LOCAL MUNICIPALITY

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- c) Confirm that interim financial statements will be prepared and audited by the Internal Audit Unit
- d) Submit the 2018/19 AFS to the AGSA by 31 October 2019.

On 2 October 2019 a reminder was sent to the Municipality regarding the above commitments.

A subsequent meeting was held with the Municipality on 17 October 2019 to follow-up on the meeting resolutions of 1 October 2019 and the Municipality then indicated that they will only be able to submit the AFS on 30 November 2019.

On 31 October 2019 the Provincial Treasury again followed up with the Municipality and requested that a work plan with milestones and due dates of activities in order to finalise the AFS be submitted by 9 November 2019. No response was received from the Municipality in this regard.

On 29 November 2019, the Municipal Manager indicated that the Municipality is not in a position to submit the AFS by the 30<sup>th</sup> of November 2019.

In light of the above, the matter was raised with the Executive Mayor as this non-compliance requires the Executive Mayor to take relevant steps in terms of Section 133 of the MFMA. In terms of legislation, if the Accounting Officer of a Municipality fails to submit financial statements to the Auditor-General in accordance with Section 126(1) or (2), the mayor must:

- a) promptly table in the Council a written explanation setting out the reasons for the failure; and
- b) the Municipal Council:
  - 1) must request the Speaker or any other Councillor to investigate the reasons for the failure and report to the Council;
  - 2) must take appropriate steps to ensure that the financial statements are submitted to the Auditor-General; and
  - 3) may order that disciplinary steps be taken against the Accounting Officer or other person responsible for the failure.

The Executive Mayor was requested to indicate to the MEC for Finance, Economic Development and Tourism by 6 December 2019 what steps were taken to rectify this situation. The Executive Mayor's response in this regard is attached.

On 11 December 2019 a meeting was held with, amongst others, Govan Mbeki Local Municipality to determine the support required from the Provincial Treasury. The Municipality then indicated that they will only be able to submit the Annual Financial Statements to the AGSA on 21 January 2020.

You are consequently requested to note the current situation in the Municipality and also that the Provincial Government will take appropriate steps in terms of legislation in order to address these matters.

Regards

  
**MS GUGU MASHITENG**  
**HEAD: PROVINCIAL TREASURY**  
**DATE: 18 / 12 / 2019**



**HEAD OFFICE:**  
Central Business District  
SECUNDA  
P/Bag X1017  
SECUNDA, 2302  
RSA

Tel: +27 (0)17 620-6000  
Fax: +27 (0)17 634-8019  
E-mail: [gbrecords@govanmbeki.gov.za](mailto:gbrecords@govanmbeki.gov.za)  
Website: [www.govanmbeki.gov.za](http://www.govanmbeki.gov.za)



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**MAIN REGIONAL OFFICES:**  
**BETHAL OFFICE:**  
Chris Hani Street  
BETHAL, 2310  
TEL: +27 (0)17 624-3000  
FAX: +27 (0)17 647-5232  
**LEANDRA OFFICE:**  
307 Shaka Maseko Road  
Tel: +27 (0)17 683-0054  
Fax: +27 (0)17 683-0385

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## OFFICE OF THE MUNICIPAL MANAGER

Tel (017) 620 – 6000 Fax (017) 634 8019

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**Our reference:**

06 December 2019

Enquiries: Mr. B. Soko  
Tel nr: (017 620 6280)

Mr. PS Ngomane (MPL)  
**MEC for Finance, Economic Development and Tourism**  
Private Bag X11215  
Nelspruit  
1200

Dear Mr. P.S. Ngomane

**RE: NON-SUBMISSION OF THE ANNUAL FINANCIAL STATEMENTS FOR THE 2018/2019 FINANCIAL YEAR.**

We reference to your letter dated 29 November 2019:

I would like to bring to the attention of the Honourable MEC the following:

We are well aware of the need to meet all legislative requirements on the financial accountability of the Municipality on the public funds and we have since taken the following action.

- I, as the Executive Mayor took a report to council to appraise council on the status quo on the annual financial statement and council resolved on submitting on a later date so as to ensure credibility of the AFS.
- Further council meetings were held and council was further appraised on developments made.
- Attached are the council resolutions on the matter. I have since requested the Speaker to convene a Special Council Meeting to sit on the 12 of December 2019 to process all other legislative requirements on this matter including the institution of an investigate.
- Further action taken is that on 18 November 2019 a credible service provider was appointed to assist the Municipality in finalising the AFS.

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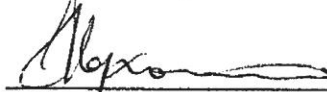
**Other Satellite Offices:**

**Kinross:** 27 Voortrekker Street, Tel: (017) 687 1155; **Trichardt:** 5 Bekker Street, Tel: (017) 638 0600  
**Evander:** 13 Lisbon Street, Tel: (017) 6206300; **Embalenhle:** Stand 3868 Lindile Nxiweni Drive, Tel: (017) 685 4212;  
**Lebohang:** 3265x 10 Butana Nkambule Road, Tel: (017) 638 3000; **eMzinoni:** 1<sup>st</sup> Street, Tel: (017) 647 3741

- We are therefore submitting to the MEC our willingness to work hand in hand with all relevant Government departments in ensuring the corrections of all wrongs that have been committed and communication will be done on a continuous basis.

We hope that you find the above in good order.

Yours Faithfully



**Councillor YT Ngxonono**  
**Executive Mayor**

06/12/19  
DATE

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SECUNDA  
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Website: [www.govanmbeki.gov.za](http://www.govanmbeki.gov.za)



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**OFFICE OF THE MUNICIPAL MANAGER**  
Tel (017) 620 – 6274 Fax (017) 634 3258

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Reference: 19//8/28  
Enquiries: Mr. BB Sithole  
(017 620 6274)

29 August 2019

The Auditor General of South Africa  
Business Executive  
Mpumalanga Province  
Private Bag X2684  
NELSPRUIT, 1200

Attention: **Bomkazi Bhubho**

Dear Madam,

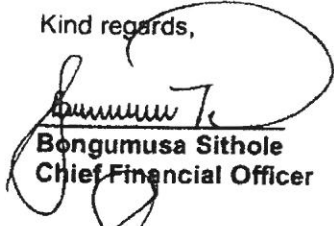
**RE: LATE SUBMISSION OF 2018/2019 ANNUAL FINANCIAL STATEMENTS**

The abovementioned subject matter refers.

This serves to inform the Office of the Auditor General that Govan Mbeki Municipality will be unable to submit the annual financial statements on the prescribed date as per the Municipal Finance Management Act. The Municipality will advise the AG accordingly as to when the set of financials will be submitted for audit.

I trust that you will find the above in order.

Kind regards,

  
Bongumusa Sithole  
Chief Financial Officer

30/08/2019  
Date

  
Mr. S.F. Mdebele  
Municipal Manager

30/08/2019  
Date

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**RESOLUTION ORIGINATING FROM THE REPORT OF THE EXECUTIVE  
MAYOR IN TERMS OF NON-DELEGATED POWERS. COUNCIL MEETING HELD  
ON THURSDAY, 29 AUGUST 2019**

**A088/08/2019**

**ANNUAL FINANCIAL STATEMENTS OF THE 2018/2019 FINANCIAL YEAR  
ENDED 30 JUNE 2019**

**(BBS)**

**(6/1/1-18/19)**

**RESOLVED**

1. That the submission of the Draft Annual Financial Statements for the 2018/2019 financial year ended 30 June 2019, in terms of Section 126 of the Local Government: Municipal Finance Management Act, Act 56 of 2003, **BE ACKNOWLEDGED**.
2. That it **BE ACKNOWLEDGED** that the following components of the Annual Financial Statements are still to be completed:
  - Cash flow;
  - Statement of comparison of budget and actuals;
  - Debtors;
  - Cash book; and
  - Prior period error disclosure.
3. That a written **APPLICATION BE MADE** to the Office of the Auditor-General and to National Treasury to submit the 2018/2019 Annual Financial Statements before the end of September 2019.



**RESOLUTION ORIGINATING FROM THE REPORT OF THE EXECUTIVE  
MAYOR IN TERMS OF NON-DELEGATED POWERS. EXTRAORDINARY  
COUNCIL MEETING HELD ON MONDAY 30 SEPTEMBER 2019**

**A089/09/2019**

**PROGRESS REPORT ON THE COMPILATION OF THE 2018/2019 ANNUAL  
FINANCIAL STATEMENTS**

**(BBS)**

**(6/1/1-18/19)**

**RESOLVED**

1. That it **BE ACKNOWLEDGED** that the 2018/2019 Annual Financial Statements could not be completed and tabled in terms of Council resolution A088/08/2019 due to the fact that the appointed service provider, Altimax (Pty.) Ltd., refused to release the CaseWare file containing the municipality's 2018/2019 AFS information.
2. That it **BE ACKNOWLEDGED** that the High Court of South Africa (Gauteng Division, Pretoria), on the 19th of September 2019, ordered the municipality to pay Altimax (Pty.) Ltd. an amount of R300 000-00, without admitting liability, and for Altimax (Pty.) Ltd. to release the CaseWare file containing the municipality's 2018/2019 AFS information 48 hours after receiving said payment.
3. That it **BE ACKNOWLEDGED** that the CaseWare file containing the municipality's 2018/2019 financial statements was received on Monday, the 23rd of September 2019.
4. That it **BE ACKNOWLEDGED** that the submission of the 2018/2019 Annual Financial Statements is depended on the assessment of the CaseWare file as received from Altimax (Pty.) Ltd.
5. That the Office of the Auditor-General and Provincial Treasury to **BE INFORMED** accordingly.



**RESOLUTION ORIGINATING FROM THE REPORT OF THE EXECUTIVE  
MAYOR IN TERMS OF NON-DELEGATED POWERS. COUNCIL MEETING HELD  
ON THURSDAY 31 OCTOBER 2019**

**A102/10/2019**

**PROGRESS REPORT ON THE COMPILATION OF THE 2018/2019 ANNUAL  
FINANCIAL STATEMENTS**

**(BBS)**

**(6/1/1-18/19)**

**RESOLVED**

1. That it **BE ACKNOWLEDGED** that additional resources were requested from the Gert Sibande District Municipality and the Provincial Treasury to assist in finalizing the 2018/2019 Annual Financial Statements.
2. That it **BE ACKNOWLEDGED** that the Gert Sibande District Municipality has committed to assist the municipality with financial resources to complete the 2018/2019 Annual Financial Statements.
3. That it **BE ACKNOWLEDGED** that the following disclaimer items are still to be resolved:
  - 3.1. Revenue /Debtors;
  - 3.2. Cash and cash equivalents; and
  - 3.3. Salary control account.
4. That it **BE ACKNOWLEDGED** that based on the assessment of the CaseWare file received from Altimax (Pty.) Ltd., the provisional date for the submission of the 2018/2019 Annual Financial Statements is the 30th of November 2019, which will allow enough time to clear the differences and ensure that there are audit files in place.





**HEAD OFFICE:**  
Central Business District  
SECUNDA  
P/Bag X1017  
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RSA

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TEL: +27 (0)17 624-3000  
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Tel: +27 (0)17 683-0054  
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**OFFICE OF THE MUNICIPAL MANAGER**

Tel (017) 620 – 6279 Fax (086) 719 6948

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**Our/Your reference:** Mr. B Sithole  
Tel: (017 620 6275)

18 November 2019

The Project Manager  
**BDO PS ADVISORY (Pty) Ltd t/a GRANT THORNTON PS ADVISORY**  
Private Bag X 28  
Bernmore  
2010

**Attention: Mr. Billy De Jager**

Dear Sir

**RE: BID NO: REVIEW OF ANNUAL FINANCIAL STATEMENTS 2018/19**

The above subject refers

It is with great pleasure to inform you that Govan Mbeki Municipality has appointed **BDO PS ADVISORY (Pty) Ltd t/a Grant Thornton PS Advisory** for the above-mentioned bid.

**1. CONDITIONS OF ACCEPTANCE**

- 1.1 That the amount of **R 507 940.00 Vat Inclusive**
- 1.2 That this appointment be accepted in writing within (2) two working days
- 1.3 That the company must enter into a service level agreement with the municipality
- 1.4 That a compulsory briefing session will be held with the user-Department: Finance to clarify the scope of work, tender specifications and implementation plan

Hope you find the above in order.

Yours faithfully

  
**Mr. SF NDEBELE**  
**MUNICIPAL MANAGER**

18/11/2019

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**Other Satellite Offices:**

**Kinross:** 27 Voortrekker Street, Tel: (017) 687 1155; **Trichardt:** 5 Bekker Street, Tel: (017) 638 0600  
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